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LOCAL MUNICIPALITY

FINANCIAL STATEMENTS

2004/2005

INDEX

| ITEM | PAGE |
|--|------|
| 1. GENERAL INFORMATION | 2 |
| 2. FOREWORD | 3 |
| 3. AUDITOR'S REPORT | 4 |
| 4. TOWN TREASURER'S REPORT | 5 |
| 6. BALANCE SHEET | 11 |
| 7. INCOME STATEMENT | 12 |
| 8. CASH FLOW STATEMENT | 13 |
| 5. ACCOUNTING POLICIES | 14 |
| 9. NOTES TO FINANCIAL STATEMENTS | 17 |
| 10 APPENDICES..... | |
| A. ANALYSIS OF FIXED ASSETS | 24 |
| B. SEGMENTED CAPITAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2005..... | 26 |
| C. ANALYSIS OF OPERATING INCOME AND EXPENDITURE FOR THE PERIOD ENDED 30 JUNE 2005..... | 27 |
| D. SEGMENTED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2005..... | 28 |

GENERAL INFORMATION

MEMBERS OF THE TOWN COUNCIL AND EXECUTIVE COMMITTEE :

| | | | |
|--------------|---|------|---------------|
| MAYOR | : | CLLR | SB Majola |
| DEPUTY MAYOR | : | CLLR | ZR Sithole |
| SPEAKER | : | CLLR | SG Masimula |
| EXCO MEMBERS | : | CLLR | SL Dlamini |
| | | CLLR | FS Mkhize |
| | | CLLR | FJ Sikhakhane |
| | | CLLR | LD Ngubane |

GRADING OF LOCAL AUTHORITY

GRADE 2

AUDITORS

AUDITOR-GENERAL : KWAZULU-NATAL

BANKERS

ABSA BANK

REGISTERED OFFICE

Shop 18-20
Ithala Bank
TUGELA FERRY

P O BOX 329
TUGELA FERRY
3010

TELEPHONE: (033) 493 0761
FAX : (033) 493 0766

MUNICIPAL MANAGER

F B SITHOLE

FINANCIAL DIRECTOR

J S PANSEGROUW

APPROVAL OF FINANCIAL STATEMENTS

The annual financial statements set out on pages 11 to 29 were approved by the Chief Executive Officer / Town Clerk on 29/04/ 2005 and presented to and approved by the Council on



F B SITHOLE
MUNICIPAL MANAGER



J S PANSEGROUW
DIRECTOR: FINANCE

FOREWORD

AUDITOR'S REPORT

TOWN TREASURER'S REPORT

GENERAL REVIEW

The year under review saw greater involvement in Local Authority administration by Provincial authorities, namely the Department of local Government and Development Planning.

The intervention by the Provincial Authorities is all in terms of the Local Government Transition Act Second Amendment 1996. Section 10(G) of this Act covers various financial aspects and places an additional burden on the administration of this department. A strong emphasis is placed on transparency and these statements are also intended to reflect this from a financial point of view.

The financial statements reflect that the council is in a sound financial position.

1. OPERATING RESULTS

1.1 The detail of the operating results can be found in *Appendices C and D* to these financial Statements. The overall results for the financial year ended 30 June 2005 are as follows:

| INCOME | ACTUAL 2004 R | ACTUAL 2005 R | VARIANCE 2004/2005 % | ESTIMATE 2005 R | VARIANCE ACTUAL ESTIMATE % |
|--|---------------------|---------------------|----------------------------|-----------------------|-------------------------------------|
| (DEFICIT)/SURPLUS AT BEGINNING OF THE YEAR | 6 016 469 | 9 511 387 | 58.09 | 9 511 387 | - |
| CORRECTIONS I.R.O. PREVIOUS YEAR'S TRANSACTIONS AND ADJUSTMENTS | 1 230 525 | 2,182,568 | 77.37 | 1 295 400 | 68.48 |
| OPERATING INCOME FOR THE YEAR | 17 238 559 | 20 915 263 | 21.3 | 19 747 000 | (5.91) |

| EXPENDITURE | ACTUAL 2004 R | ACTUAL 2005 R | VARIANCE 2004/2005 % | ESTIMATE 2005 R | VARIANCE ACTUAL ESTIMATE % |
|--|---------------------|---------------------|----------------------------|-----------------------|-------------------------------------|
| OPERATING EXPENDITURE FOR THE YEAR | 14 974 166 | 18,296,306 | 18.15 | 19 745 913 | (7.34) |
| SURPLUS / (DEFICIT) AT YEAR END | 9 511 387 | 14 312,912 | 66.45 | 9 512 474 | 50.46 |

The original budgeted surplus was R 1 087. The actual operating results reflect a surplus of R 2,618,955. Operating income exceeded the budget income by R 1 168 263, whilst expenditure was R 1 449 607 less than the budgeted expenditure of R 19 745 913.

1.2 Financial Statistics

| | <u>2005</u> % | <u>2004</u> % |
|---------------------------|------------------|------------------|
| <u>Expenditure</u> | | |
| Personnel Cost | 34 | 36 |
| General Expenditure | 52 | 49 |
| Repairs and Maintenance | 1 | 1 |
| Depreciation Expenses | 9 | 8 |
| Contributions | 4 | 6 |

1.3 Reconciliation of Budget to Actual

| | |
|--------------------------------------|-----------|
| | <u>R</u> |
| Budget surplus before appropriations | 1 087 |
| Revenue variances | 1 168 263 |
| Expense variances:- | |
| Personnel cost | (539 843) |
| General expenses | (736 960) |
| Repairs and maintenance | (139 517) |
| Provision for depreciation | 483 339 |
| Contribution | (509 216) |
| Actual surplus before appropriation | 2 618 955 |

1.4 Financial forecast for the forthcoming year

A summary of the 2006 Operating Budget follows

| | <u>Budget</u> <u>2006</u> | <u>Actual</u> <u>2005</u> |
|------------------------------|------------------------------|------------------------------|
| Rates and General Services | 3087 | 2 618 955 |
| Water Services | — | — |
| Surplus before appropriation | 3 087 | 2 618 955 |

2. RATES AND GENERAL SERVICES

| | ACTUAL 2004 R | ACTUAL 2005 R | VARIANCE 2004/2005 % | ESTIMATE 2005 R | VARIANCE ACTUAL ESTIMATE % |
|-------------------|---------------------|---------------------|----------------------------|-----------------------|-------------------------------------|
| INCOME | 17 123 757 | 20 915 263 | - | 19 747 000 | 5.58 |
| EXPENDITURE | 14 317 705 | 18 296 306 | - | 19 029 663 | (3.85) |
| SURPLUS/(DEFICIT) | 2 806 052 | 2 618 955 | - | 717 337 | 365 |

Incorporated under the heading 'Rates and General Services' are: Community Services, Subsidised Services and Economic Services. (See 'Appendix C).

3. TRADING SERVICES

3.1 WATER

| | ACTUAL 2004 R | ACTUAL 2005 R | VARIANCE 2004/2005 % | ESTIMATE 2005 R | VARIANCE ACTUAL ESTIMATE % |
|-------------------|---------------------|---------------------|----------------------------|-----------------------|-------------------------------------|
| INCOME | 114 800 | - | 100 | - | 100 |
| EXPENDITURE | 656 459 | - | 100 | 716 250 | 100 |
| SURPLUS/(DEFICIT) | (541 659) | - | 100 | (716 250) | 100 |

4. CAPITAL EXPENDITURE AND FINANCING

4.1 A summary of the 2006 Capital Budget is as follows:-

| | Budget 2006 | Actual 2005 |
|---------------------|----------------|----------------|
| Community Services | 6 925 000 | 2 951 573 |
| Subsidised Services | | (5 353) |
| Economic Services | | (327 263) |
| Trading Services | - | - |

4.2 The following fixed assets were purchased during the period under review:

| CAPITAL EXPENDITURE ACCORDING TO TYPE | ACTUAL 2005 R | ESTIMATE 2005 R | ACTUAL 2004 R |
|---------------------------------------|---------------------|-----------------------|---------------------|
| LAND | - | - | - |
| FENCING | - | 2 729 000 | 567 467 |
| BUILDINGS | 2 238 888 | 3 680 000 | 653 905 |
| AIR CONDITIONERS | - | - | - |
| PLANNING | - | - | - |
| CONSTRUCTION WORKS | 1 628 827 | 1 280 000 | 5 475 997 |
| SEWER NETWORKS | - | - | - |
| RETICULATION - WATER | - | - | - |
| SEWER MAINS | - | - | - |
| FURNITURE | 14 113 | - | 125 520 |
| OFFICE & ACCOUNTING MACHINES | 406 314 | 252 500 | 249 983 |
| TOOLS | 26 667 | - | - |
| MACHINERY | - | - | 18 400 |
| VEHICLES & TRACTORS | 229 905 | 1 250 000 | 1 112 661 |
| SPECIALISED VEHICLES | - | - | - |
| CELL PHONES & RADIOS | - | - | - |
| NOT ALLOCATED | - | - | - |
| | 4 544 714 | 9 182 500 | 8 203 933 |

The capital expenditure was financed from the following sources:

| | ACTUAL 2005 R | ESTIMATE 2005 R | ACTUAL 2004 R |
|-----------------------------|---------------------|-----------------------|---------------------|
| KZNPA INFO TECHNOLOGY GRANT | 47 393 | - | 5 905 495 |
| INFRASTRUCTURE GRANT | - | - | - |
| KZNPA TOURISM GRANT | 240 977 | 7 420 000 | 1 564 375 |
| EQUITABLE SHARE | 3 687 718 | 1 762 500 | 734 063 |
| TRANSITIONAL GRANT | 568 626 | - | - |
| | 4 544 714 | 9 182 500 | 8 203 933 |

5. **INVESTMENTS AND CASH**

Investments are made in accordance with the provisions of the Local Authorities Ordinance No. 25 of 1974. Interest accrued at 30 June 2005 on all investments was brought to account.

6. **FUNDS AND RESERVES**

Information regarding funds and reserves is disclosed in notes 1 and 2 to the financial statements.

7. **DEBTORS**

As at the close of business on 30 June 2005 the total amount for outstanding debtors was R 3 650 246. A provision for bad debts was created and an amount of R 3 648 466 was transferred to the provision account (refer Note 7 to the "Financial Statements").

8. **VALUE ADDED TAX**

The system in use is operated on the " payment basis". Proportional VAT is claimed on expenditure indirectly incurred in respect of vatable services.

9. **CONSUMER DEPOSITS**

Discrepancies between debtors deposit listings (R 7 235) and the debtors deposit control account (R 7 685) exist and will be corrected during 2004/2005 financial year. This note applies to 2003/2004.

10. **BANK RECONCILIATION**

Bank reconciliations were not performed for every month. An annual reconciliation was done at year- end.

11. **SUNDRY CREDITORS**

Sundry creditors are dealt with in accordance with the "*accruals principle*". Amounts in respect of "*special funds*" and which can not be classified as "*reserves or provisions*" as well as sundry deposits held for various purposes are treated as sundry creditors. (Refer Note 9 to the financial statements)

12. **INVENTORY**

The council operates on a direct purchase basis and does therefore not administer an inventory system.

WORD OF THANKS

The Mayor, the Chairman and members of the Executive Committee, Councillors, the Chief Executive Officer and Departmental Heads are thanked for the support they have given to the staff of the Treasury Department.

Finally, a special word of thanks to the staff of the Treasury Department for their efforts to prepare these financial statements.



DIRECTOR: FINANCE

BALANCE SHEET AS AT 30 JUNE 2005

| | <u>NOTES</u> | <u>2005</u> | <u>2004</u> |
|-------------------------------------|--------------|-------------------|-------------------|
| <u>CAPITAL EMPLOYED</u> | | | |
| STATUTORY FUNDS | 1 | 689,004 | 689,004 |
| NON-DISTRIBUTABLE RESERVES | 2 | 21,927,091 | 20,667,187 |
| DISTRIBUTABLE RESERVES | | 14,312,912 | 9,511,387 |
| UNAPPROPRIATED SURPLUS | | 14,312,912 | 9,511,387 |
| CONSUMER DEPOSITS | 3 | - | 7,685 |
| TOTAL | | 36,929,007 | 30,875,263 |
| <u>EMPLOYMENT OF CAPITAL</u> | | | |
| PROPERTY, PLANT AND EQUIPMENT | 4 | 15,230,231 | 15,609,222 |
| INVESTMENTS | 5 | 26,478,417 | 13,449,747 |
| LONG TERM DEBTORS | 6 | 452,405 | 504,292 |
| NETT CURRENT ASSETS/[LIABILITIES] | | (5,232,046) | 1,312,002 |
| CURRENT ASSETS | | 4,246,954 | 8,071,166 |
| DEBTORS | 7 & 8 | 1,699,863 | 1,219,688 |
| CASH RESOURCES | | 2,547,091 | 6,851,478 |
| CURRENT LIABILITIES | | 9,479,000 | 6,759,164 |
| PROVISIONS | | 292,374 | 256,334 |
| CREDITORS | 9 | 9,186,626 | 6,502,830 |
| TOTAL | | 36,929,007 | 30,875,263 |

INCOME STATEMENT FOR THE YEAR ENDING 30 JUNE 2005

| | <u>NOTE</u> | <u>2005</u> | <u>2005</u> | <u>2004</u> |
|--|-------------|-------------|-------------|-------------|
| | | ACTUAL | BUDGET | ACTUAL |
| RATES AND GENERAL SERVICES | | 2,618,955 | 717,337 | 2,806,052 |
| WATER SERVICE | | - | (716,250) | (541,659) |
| NET SURPLUS FOR THE YEAR | 12 | 2,618,955 | 1,087 | 2,264,393 |
| EXTRAORDINARY ITEMS | | - | - | - |
| NET SURPLUS BEFORE APPROPRIATIONS | | 2,618,955 | | 2,264,393 |
| ACCUMULATED SURPLUS AT THE BEGINNING OF THE YEAR | | 9,511,387 | | 6,016,469 |
| APPROPRIATIONS FOR THE YEAR | | | | |
| PREVIOUS YEAR ADJUSTMENTS | | 411,241 | | |
| TRANSFER TO PROVISIONS | | | | |
| TRANSFER FROM NON DISTRIBUTABLE RESERVES | | 1,771,329 | | 1,230,525 |
| ACCUMULATED SURPLUS AT THE END OF THE YEAR | | 14,312,912 | | 9,511,387 |

CASH FLOW STATEMENT FOR THE YEAR ENDING 30 JUNE 2005

| | NOTE | <u>2005</u> | <u>2004</u> |
|---|------|--------------------|--------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| CASH RECEIPTS FROM RATEPAYERS, GOVERNMENT AND OTHER | | 21,293,500 | 17,689,354 |
| CASH PAID TO SUPPLIERS AND EMPLOYEES | | (15,334,612) | (13,272,329) |
| CASH GENERATED FROM(UTILISED ON) OPERATIONS | 15 | <u>5,958,888</u> | <u>4,417,025</u> |
| INTEREST RECEIVED | | 1,078,595 | 1,273,968 |
| NET CASH FROM OPERATING ACTIVITIES | | <u>7,037,483</u> | <u>5,690,993</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| PURCHASE OF PROPERTY, PLANT AND EQUIPMENT | 14 | (4,544,714) | (8,203,932) |
| RECEIPTS FROM (ADVANCES TO) LONG TERM DEBTORS | | 51,887 | (172,799) |
| NET CASH FROM INVESTING ACTIVITIES | | <u>(4,492,827)</u> | <u>(8,376,731)</u> |
| CASH FLOWS FROM FINANCE ACTIVITIES | | | |
| OTHER CAPITAL RECEIPTS | | 6,187,313 | 9,188,930 |
| DECREASE IN CONSUMER DEPOSITS | | (7,685) | |
| NET CASH FROM FINANCE ACTIVITIES | | <u>6,179,628</u> | <u>9,188,930</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 16 | <u>8,724,284</u> | <u>6,503,192</u> |

ACCOUNTING POLICY

1. BASIS OF PRESENTATION

- 1.1 These financial statements have been prepared so as to conform with the Generally Accepted Municipal Accounting Principles.
- 1.2 The financial statements have been prepared on the historical cost basis.

2. INVESTMENTS

- 2.1 Investments are stated at cost, less amounts written off.
- 2.2 Investments are written down to give recognition to a permanent decline in value.

3. PROPERTY, PLANT AND EQUIPMENT

- GAMAP 113

- 3.1 Property, which includes investment properties, plant and equipment is stated at cost, less accumulated depreciation.
- 3.2 Major improvements to buildings, plant and equipment are capitalised. Maintenance and repairs are expensed when incurred.
- 3.3 Heritage assets, defined as culturally significant resources, are not depreciated.
- 3.4 Depreciation is calculated on cost, using the straight line method over the estimated useful lives of the assets. The depreciation rates are based on the following estimated asset lives:-

| | <u>Years</u> | | <u>Years</u> |
|-----------------------|--------------|------------------------|--------------|
| Infrastructure | 10 – 15 | Other | |
| Roads and paving | 10 | Buildings | 30 |
| Water | 20 | Specialist vehicles | 7 |
| Sewerage | 20 | Other vehicles | 7 |
| Housing | 30 | Office equipment | 5 |
| | | Furniture and fittings | 10 |
| | | Bins and containers | 5 |
| | | Plant and equipment | 5 - 7 |

ACCOUNTING POLICY (continued)

| | <u>Years</u> | | <u>Years</u> |
|-------------------------|--------------|------------------------------|--------------|
| Community | | Investment Properties | 30 |
| Improvements | 30 | | |
| Recreational Facilities | 20 – 30 | | |
| Security | 5 | | |

4. RETIREMENT BENEFITS

- GAMAP 110

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating local authorities.

5. REVENUE RECOGNITION

- GAMAP 106

- 5.1 Revenue from rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Interest on unpaid rates is recognised on a time proportion basis.
- 5.2 Service charges relating to water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognised as revenue in the invoicing period.
- 5.3 Revenue from the sale of goods is recognised when the risk is passed to the consumer.
- 5.4 Revenue arising from the application of the approved tariff of charges is generally when the relevant service is rendered.

-
- 5.5 Interest and rentals are recognised on a time proportion basis that takes into account the effective yields on assets.

ACCOUNTING POLICY (continued)

- 5.6 Revenue from spot fines is recognised when payment is received, and the revenue from the issuing of summonses is recognised when collected.
- 5.7 Amounts received from government and donors for the purpose of acquiring items of property, plant and equipment are classified as capital receipts and credited to non-distributable reserves. These amounts are released to the income statement over the estimated life of the item of property, plant and equipment acquired.

6. INTERNAL FINANCING OF PROPERTY, PLANT AND EQUIPMENT - GAMAP 114

In order to finance the provision of infrastructure and other items of property, plant and equipment, amounts are set aside from unappropriated surpluses in the Asset Financing Fund (AFF). The cash in the AFF is invested until utilised.

NOTES TO FINANCIAL STATEMENTS AT 30 JUNE 2005

| | <u>2005</u> | <u>2004</u> |
|------------------------------|----------------|----------------|
| 1 FUNDS | | |
| Asset financing fund | 689,004 | 689,004 |
| TOTAL STATUTORY FUNDS | <u>689,004</u> | <u>689,004</u> |

ASSET FINANCING FUND

MOVEMENT IN THE FUND IS RECONCILED AS FOLLOW

| | | |
|--|----------------|----------------|
| Balance at beginning of year | 689,004 | 689,004 |
| Contributions received | - | - |
| Cash utilised to finance property, plant and equipment | - | - |
| Balance at the end of the year | <u>689,004</u> | <u>689,004</u> |

The purpose of the asset financing fund is to set aside cash to finance fixed asset additions from internal sources. The contribution to the AFF is based on the integrated development plan financing requirements.

When cash is used to finance property, plant and equipment, a

Corresponding amount is transferred to a non-distributable reserve
(See NOTE 2). Unutilised cash is invested as set out in NOTE 9.

Refer to APPENDIX "A" for more detail

2 NON-DISTRIBUTABLE RESERVES

Capital receipts

- Used to finance property, plant and equipment
- Unutilised

| | |
|------------|------------|
| 15,227,940 | 15,610,635 |
| 6,699,151 | 5,056,552 |

Transfers from asset financing fund used to finance property, plant and equipment

-

TOTAL NON-DISTRIBUTABLE RESERVES

| | |
|-------------------|-------------------|
| <u>21,927,091</u> | <u>20,667,187</u> |
|-------------------|-------------------|

MOVEMENT CAN BE RECONCILED AS FOLLOW

UNUTILISED CAPITAL RECEIPTS

| | | |
|--|------------------|------------------|
| Balance at beginning of year | 5,056,552 | 4,071,557 |
| Current year receipts | 6,187,313 | 9,188,930 |
| Used to finance current year additions | (4,544,714) | (8,203,935) |
| Balance at the end of the year | <u>6,699,151</u> | <u>5,056,552</u> |

These capital receipts represents government grants, subsidies and contributions from the public and can only be used for the purpose of

acquiring specified property, plant and equipment. These amounts are invested until utilised for the purpose intended. (See NOTE 9).

CAPITAL RECEIPTS (USED TO FINANCE PROPERTY, PLANT AND EQUIPMENT)

| | | |
|--|-------------------|-------------------|
| Balance at beginning of year | 15,610,635 | 8,637,225 |
| Used to finance current year additions | 4,544,714 | 8,203,935 |
| Transfer to income statement to offset depreciation charge | (1,771,329) | (1,230,525) |
| Adjustment | (3,706) | |
| Assets written off | (3,152,384) | |
| Balance at the end of the year | <u>15,227,930</u> | <u>15,610,635</u> |

These amounts represent property, plant and equipment financed by government grants, subsidies and contributions from the public. The intention of the benefactor of these amounts is to subsidise the cost of acquiring property, plant and equipment. Accordingly these amounts are released to the income statement over the estimated useful lives of the property, plant and equipment so financed to offset the relevant depreciation charge. The balance of the reserve is transferred to the income statement when the fixed asset so financed is disposed.

TRANSFERS FROM ASSET FINANCING FUND

| | | |
|--|----------|----------|
| Balance at beginning of year | - | - |
| Used to finance current year additions | - | - |
| Transfer to income statement to offset depreciation charge | - | - |
| Balance at the end of the year | <u>-</u> | <u>-</u> |

These amounts represent property, plant and equipment financed by the AFF. These amounts are released to the income statement over the estimated useful lives of the property, plant and equipment financed from this source to offset the depreciation charge and prevent duplication in expenses.

3 CONSUMER DEPOSITS - SERVICES

| | | |
|--------------|----------|--------------|
| Water | - | 7,685 |
| TOTAL | <u>-</u> | <u>7,685</u> |

4 PROPERTY , PLANT AND EQUIPMENT AT NETT BOOK VALUE

| | | |
|--|-------------------|-------------------|
| Fully owned property , plant and equipment | | |
| Infrastructure | 6,966,536 | 9,453,655 |
| Community | 95,494 | 102,310 |
| Other | 8,168,201 | 6,053,255 |
| SUB TOTAL | <u>15,230,231</u> | <u>15,609,220</u> |
| TOTAL | <u>15,230,231</u> | <u>15,609,220</u> |

Refer to APPENDIX "B" for more detail

5 INVESTMENTS

UNLISTED

| | | |
|-------|-------------------|-------------------|
| Other | 26,478,417 | 13,449,747 |
| | <u>26,478,417</u> | <u>13,449,747</u> |

MARKET VALUE OF LISTED INVESTMENTS

COUNCIL'S EVALUATION OF UNLISTED INVESTMENTS

| | | |
|-------|-------------------|-------------------|
| Other | 26,478,417 | 13,449,747 |
| | <u>26,478,417</u> | <u>13,449,747</u> |

ALLOCATION OF EXTERNAL INVESTMENTS

in terms of legislation surplus cash is invested until used for specific purposes.

Investments are allocated on the following basis

| | | |
|-----------------------------|-------------------|-------------------|
| Asset financing fund | 689,004 | 689,004 |
| Unutilised capital receipts | 6,699,151 | 5,056,552 |
| Deposits | 760 | 7,685 |
| Operating account | 19,089,502 | 7,696,506 |
| TOTAL | <u>26,478,417</u> | <u>13,449,747</u> |

6 LONG TERM DEBTORS

| | | |
|-----------------|------------------|------------------|
| Vehicle loans | 656,805 | 686,017 |
| Sundry loans | 1,289,880 | 706,688 |
| SUBTOTAL | <u>1,946,685</u> | <u>1,392,705</u> |

Less

| | | |
|--|----------------|----------------|
| Short-term portion transferred to current assets | (1,494,280) | (888,413) |
| TOTAL | <u>452,405</u> | <u>504,292</u> |

VEHICLE LOANS

These subsidised loans were granted by the council to employees who are required to use own transport in the fulfillment of official duties.

SUNDRY LOANS

This interest free loan refer to equitable share paid by central government to the district municipality on behalf of Msinga municipality as well as amount due by Uthukela water (Pty)Ltd. There is no fixed repayment period. Payments made by the district municipality on behalf of Msinga are set off against the DC municipality loan.

7 CONSUMER DEBTORS

| | | |
|------------------|------------------|------------------|
| Service debtors | | |
| Rates | 3,498,964 | 2,843,516 |
| Water | - | 443,441 |
| Sanitation | - | 2,236 |
| Refuse | 147,852 | 130,993 |
| Sundry | 3,430 | 3,125 |
| SUB TOTAL | <u>3,650,246</u> | <u>3,423,311</u> |

LESS

| | | |
|------------------------|--------------|---------------|
| Provision for bad debt | 3,648,466 | 3,406,434 |
| TOTAL | <u>1,780</u> | <u>16,877</u> |

THE AGEING OF DEBTORS IS AS FOLLOWS**RATES**

| | | |
|-------------|---------|---------|
| Current | (7,191) | (5,489) |
| 30-60 Days | 2,205 | 2,758 |
| 61 -90 Days | 2,192 | 2,668 |
| 91-120 Days | 2,192 | 2,657 |

| | | |
|----------------|------------------|------------------|
| 121 – 150 days | 2,168 | |
| + 150 days | 3,497,398 | 2,840,923 |
| TOTAL | 3,498,964 | 2,843,517 |

SERVICES (WATER, SANITATION AND SUNDRY)

| | | |
|----------------|------------------|------------------|
| Current | (4,064) | 746 |
| 30-60 Days | 1,703 | 4,600 |
| 61 -90 Days | 1,629 | 4,370 |
| 91-120 Days | 1,578 | 4,567 |
| 121 – 150 Days | 1,637 | |
| + 150 Days | 151,068 | 565,511 |
| TOTAL | 153,551 | 579,794 |
| TOTAL | 3,652,515 | 3,423,311 |

BAD DEBT PROVISION

The bad debt provision is calculated on the ageing of debtors.

Council's policy is to provide for 95% on all debtor balances which are outstanding.

8. OTHER DEBTORS

| | | |
|---|------------------|------------------|
| Receiver vat | | 114,856 |
| Sundries | 201,534 | 199,542 |
| Short term portion of long term debtors | 1,494,280 | 888,413 |
| | 1,695,814 | 1,202,811 |

9. CREDITORS

| | | |
|-----------------|------------------|------------------|
| Trade creditors | 1,190,879 | 444,089 |
| Deposits: other | 670 | 670 |
| Other | 7,995,078 | 6,058,071 |
| TOTAL | 9,186,627 | 6,502,830 |

10 ASSESSMENT RATES

| | | |
|--------------|----------------|----------------|
| Combined | 342,713 | 344,104 |
| TOTAL | 342,713 | 344,104 |

11 VALUATIONS

| | | |
|-------------------------|----------|----------|
| Residential | - | |
| Business / industry | - | |
| Non ratable – municipal | - | |
| TOTAL | - | - |

No valuations on land are performed.

The valuation roll performs the function of a property register.

A general rate of R90.00per annum is applied to the first 1000 sq m

of property areas. Rates are levied on a monthly as well as annual basis.

12 NET SURPLUS /(DEFICIT) FOR THE YEAR

DEPRECIATION

Fully owned property , plant and equipment

Infrastructure

Other

SUB TOTAL

TOTAL DEPRECIATION

| | |
|-----------|-----------|
| 2,618,955 | 2,264,393 |
| 963,560 | 800,895 |
| 807,769 | 429,540 |
| 1,771,329 | 1,230,525 |
| 1,771,329 | 1,230,525 |

COUNCILLORS' REMUNERATION

Mayor's allowance

Deputy mayor's allowance

Councillors' allowance

Executive committee's allowance

Allowance personal facilities

Allowance personal transport

Allowance personal telephone

Councillors' pension contribution

Councillors' medical aid contribution

TOTAL COUNCILLORS' ALLOWANCE

| | |
|-----------|-----------|
| 67,067 | 63,271 |
| 53,654 | 50,617 |
| 694,484 | 705,496 |
| 240,694 | 189,936 |
| 96,121 | 90,542 |
| 264,429 | 233,044 |
| 243,750 | 217,627 |
| 132,248 | 135,913 |
| 170,693 | 205,643 |
| 1,964,140 | 1,892,089 |

INVESTMENT INCOME

Interest received

Rental received

TOTAL INVESTMENT INCOME

| | |
|-----------|-----------|
| 1,478,208 | 1,273,968 |
| 56,909 | 76,258 |
| 1,535,117 | 1,350,226 |

CONTRIBUTIONS TO PROVISIONS

Staff leave

TOTAL CONTRIBUTIONS

| | |
|--------|--------|
| 36,040 | 96,340 |
| 36,040 | 96,340 |

AUDITORS REMUNERATION

Fees for audit

Expenses

Prior year (over) / under provision

TOTAL AUDITORS REMUNERATION

| | |
|---------|---------|
| 265,717 | 159,625 |
| 265,717 | 159,625 |

ABNORMAL EXPENSES

Additional staff leave provision

TOTAL ABNORMAL EXPENSES

| | |
|---|---|
| - | - |
| - | - |

PROVINCIAL AND CENTRAL GOVERNMENT SUBSIDIES

Inter-governmental transfers

TOTAL PROVINCIAL AND CENTRAL GOVERNMENT SUBSIDIES

| | |
|------------|------------|
| 17,700,000 | 14,163,000 |
| 17,700,000 | 14,163,000 |

13 REVENUE

| | | |
|---------------------------------|-------------------|-------------------|
| Assessment rates | 342,713 | 344,104 |
| Revenue from tariffs | - | 235,720 |
| Government grants and subsidies | 18,550,991 | 15,072,485 |
| Interest | 1,478,208 | 1,273,968 |
| Rental income | 56,909 | 76,258 |
| Other income | 486,442 | 236,024 |
| TOTAL INCOME | 20,915,263 | 17,238,559 |

14 TRANSFER FROM NON- DISTRUBUTAL RESERVES

| | | |
|--|------------------|------------------|
| Transfers from capital receipts utilised to finance fixed assets | 4,544,714 | 8,203,935 |
| transfers from asset financing fund utilised to finance fixed asset additions (see NOTES 1 and 2) | | - |
| TOTAL OF TRANSFERS | 4,544,714 | 8,203,935 |

15 CASH GENERATED BY OPERATIONS

| | | |
|---|------------------|------------------|
| Nett surplus for the year | 2,618,957 | 2,264,393 |
| Adjustments for :- | | |
| Previous year operating transactions | 411,241 | |
| Depreciation | 1,771,329 | 1,230,524 |
| Assets written off | | |
| Investment income | (1,078,595) | (1,273,968) |
| Depreciation adjustment – water tanker | (3,706) | |
| OPERATING SURPLUS BEFORE WORKING CAPITAL CHANGES | 3,719,226 | 2,220,949 |
| Increase / (decrease) in debtors | (480,175) | 1,724,766 |
| Increase / (decrease) in other debtors | | |
| Increase / (decrease) in provisions | 36,040 | (79,666) |
| Increase / (decrease) in creditors | 2,683,797 | 550,978 |
| CASH GENERATED BY OPERATIONS | 5,958,888 | 4,417,027 |

16 CASH AND CASH EQUIVALENTS

| | | |
|---|------------------|------------------|
| Balance at end of year | 29,026,508 | 20,301,225 |
| Balance at beginning of year | 20,301,225 | 13,798,033 |
| NET INCREASE / (DECREASE) IN CASH AND EQUIVALENTS | 8,724,283 | 6,503,192 |

17 CAPITAL COMMITMENTS

| | | |
|---|------------------|------------------|
| Commitments in respect of capital expenditure approved but not yet contracted for | 6,375,000 | 9,180,000 |
| TOTAL CAPITAL COMMITMENTS | 6,375,000 | 9,180,000 |
| This expenditure will be financed from : | | |
| Internal sources | | |
| External sources | 6,375,000 | 9,180,000 |
| TOTAL OF FINANCE SOURCES | 6,375,000 | 9,180,000 |

18 CONTINGENT LIABILITIES

There are no contingent liabilities

ANNEXURE: AANALYSIS OF FIXED ASSETS AS AT 30 JUNE 2005

| | <u>COST</u> | | <u>ACCUMULATED DEPRECIATION</u> | | |
|-----------------------|------------------|------------------|---------------------------------|------------------|----------------|
| | <u>OPENING</u> | <u>CLOSING</u> | <u>OPENING</u> | <u>CLOSING</u> | |
| | <u>BALANCE</u> | <u>BALANCE</u> | <u>BALANCE</u> | <u>BALANCE</u> | <u>BALANCE</u> |
| | <u>ADDITIONS</u> | <u>DISPOSALS</u> | <u>ADDITIONS</u> | <u>DISPOSALS</u> | <u>BALANCE</u> |
| <u>SERVICE</u> | | | | | |
| <u>INFRASTRUCTURE</u> | | | | | |
| DAMS & BOREHOLES | 134,880 | 0 | 134,880 | 0 | 134,880 |
| CONSTRUCTION WORKS | 7,961,846 | 1,628,827 | 0 | 9,590,673 | 0 |
| SEWER RETICULATION | 3,428,865 | 0 | 3,428,865 | - | - |
| WATER RETICULATION | 1,396,960 | 0 | 1,396,960 | - | - |
| MACHINERY | 97,564 | 0 | 0 | 97,564 | 97,564 |
| VEHICLES AND | 117,724 | 0 | 0 | 117,724 | 117,724 |
| TRACTORS | | | | | |
| | 13,137,849 | 1,628,827 | 4,960,705 | 9,805,961 | 3,684,184 |
| | | | 963,560 | 1,808,321 | 2,839,423 |
| <u>COMMUNITY</u> | | | | | |
| BUILDINGS | 111,974 | 0 | 0 | 111,974 | 0 |
| FURNITURE | 18,727 | 0 | 0 | 18,727 | 0 |
| TOOLS | 9,680 | 0 | 0 | 9,680 | 0 |
| | 140,381 | 0 | 0 | 140,381 | 0 |
| | | | 3,732 | 1,623 | 29,548 |
| | | | 1,462 | 0 | 8,706 |
| | | | 6,817 | 0 | 6,634 |
| | | | 0 | 0 | 44,888 |
| <u>OTHER</u> | | | | | |
| FENCING | 584,029 | 0 | 0 | 584,029 | 0 |
| BUILDINGS | 2,290,152 | 2,238,888 | 0 | 4,529,040 | 0 |
| AIR CONDITIONERS | 134,252 | 0 | 0 | 134,252 | 0 |
| CONSTRUCTION WORKS | 4,622 | 0 | 0 | 4,622 | 0 |
| FURNITURE | 465,569 | 14,113 | 0 | 479,682 | 0 |
| OFFICE AND ACC. | 1,079,880 | 406,314 | 0 | 1,486,194 | 0 |
| MACHINES | 7,334 | 26,667 | 0 | 34,001 | 0 |
| TOOLS | 52,652 | 0 | 0 | 52,652 | 0 |
| MACHINERY | 2,038,590 | 229,905 | 0 | 2,268,495 | 0 |
| VEHICLES AND | | | | | |
| TRACTORS | 2,150 | 0 | 0 | 2,150 | 0 |
| CELL PHONES & RADIOS | 6,659,230 | 2,915,887 | 0 | 9,575,117 | 0 |
| | 19,937,460 | 4,544,714 | 4,960,705 | 19,521,467 | 4,328,236 |
| | | | 1,771,329 | 1,808,321 | 4,291,227 |
| <u>TOTAL</u> | | | | | |

ANNEXURE: B

SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT - NET BOOK VALUE AS AT 30 JUNE 2005

| <u>PREV. YEAR EXPENDITURE</u> | <u>SERVICE</u> | <u>OPENING BALANCE</u> | <u>EXPEND.</u> | <u>DEPREC./ DISPOSALS</u> | <u>CLOSING BALANCE</u> |
|-----------------------------------|----------------------------|----------------------------|----------------|-------------------------------|----------------------------|
| 8 203 932 | RATES AND GENERAL SERVICES | 18,095,619 | 4,544,714 | 7,720,092 | 15,230,231 |
| 7 432 200 | COMMUNITY SERVICES | 12,346,569 | 4,544,714 | 3,102,867 | 14,098,406 |
| 26 873 | COUNCIL GENERAL | 492,158 | 26,668 | 148,801 | 370,025 |
| 188 912 | MUNICIPAL MANAGER | 49,647 | 8,990 | 18,013 | 40,614 |
| 494 253 | CORPORATE SERVICES | 577,265 | 500,993 | 241,111 | 837,147 |
| | PROPERTY SERVICES | 2,328,902 | 1,608,634 | 225,979 | 3,711,557 |
| | TOURISM | 38,183 | | 9,707 | 28,476 |
| 826 099 | COMMUNITY HALLS | 130,702 | 722,273 | 245,407 | 917,568 |
| 60 737 | COMMUNITY SERVICES | 826,099 | 1,310,000 | 38,253 | 787,846 |
| 5 835 326 | FIRE/EMERGENCY SERVICE | 9,680 | | 6,634 | 3,046 |
| | FINANCE | 534,040 | 47,394 | 215,371 | 366,063 |
| | TECHNICAL SERVICES | 129,388 | 935 | 58,788 | 71,535 |
| | ROADS | 7,230,505 | 1,628,827 | 1,894,803 | 6,964,529 |
| 771 732 | ECONOMIC SERVICES | 5,749,050 | | 4,617,225 | 1,131,825 |
| 771 732 | SEWERAGE | 3,428,866 | | 3,428,866 | - |
| | REFUSE REMOVAL | 2,320,184 | | 1,188,359 | 1,131,825 |
| | TRADING SERVICES | 1,841,842 | 1,310,000 | 1,531,842 | - |
| | WATER DISTRIBUTION | 618,211 | | 618,211 | - |
| | WATER STORAGE | 1,223,631 | 1,310,000 | 913,631 | - |
| 8 203 932 | | 19,937,461 | 4,544,714 | 9,251,394 | 15,230,231 |

ANNEXURE: C**ANALYSIS OF OPERATING INCOME AND EXPENDITURE FOR THE YEAR
ENDING 30 JUNE 2005**

| ACTUAL PREVIOUS | | ACTUAL CURRENT | BUDGET CURRENT |
|----------------------------|--|---------------------------|---------------------------|
| REVENUE | | | |
| 15,072,485 | GOVERNMENT/PROVINCIAL GRANTS/SUBSIDIES | 18,550,991 | 18,312,000 |
| 2,166,074 | OPERATING INCOME | 2,364,272 | |
| 344,104 | RATES INCOME | 342,713 | 30,000 |
| 91,708 | SALE OF WATER | - | |
| 1,730,262 | OTHER INCOME | 2,021,559 | 1,405,000 |
| <u>17,238,559</u> | TOTAL | <u>20,915,263</u> | <u>19,747,000</u> |
| EXPENDITURE | | | |
| 5,331,391 | SALARIES AND ALLOWANCES | 6,267,693 | 6,807,536 |
| 7,331,510 | GENERAL EXPENDITURE | 9,570,917 | 10,307,877 |
| 0 | BULK PURCHASES: WATER | 0 | |
| 7,280,190 | OTHER | 9,570,917 | 10,307,877 |
| 144,147 | REPAIRS AND MAINTENANCE | 25,583 | 165,100 |
| 1,230,525 | DEPRECIATION | 1,771,329 | 1,295,400 |
| 936,593 | CONTRIBUTIONS TO RESERVES | 660,784 | 1,170,000 |
| <u>14,974,166</u> | TOTAL | <u>18,296,306</u> | <u>19,745,913</u> |
| 2,264,393 | NET SURPLUS FOR THE YEAR | 2,618,957 | 1,087 |

ANNEXURE: D
SEGMENTED INCOME STATEMENT FOR THE YEAR ENDING 30 JUNE 2005

| ACTUAL INCOME 2003/2004 | ACTUAL EXPEND. (DEFICIT) 2003/2004 | SURPLUS (DEFICIT) 2003/2004 | ACTUAL INCOME | ACTUAL EXPEND. | SURPLUS (DEFICIT) | ESTIMATED SURP./DEF. |
|-------------------------------|--|-----------------------------------|------------------|-------------------|----------------------|-------------------------|
| 17,123,757 | 14,317,705 | 2,806,052 | 20,915,263 | 18,296,306 | 2,618,957 | 717,337 |
| 17,093,693 | 13,632,012 | 3,461,681 | 20,889,220 | 17,937,647 | 2,951,573 | 1,630,627 |
| 1,273,967 | 3,605,879 | (2,331,912) | 1,478,207 | 3,562,779 | (2,084,571) | (2,738,446) |
| 623,658 | 623,658 | ASSESSMENT RATES | 678,339 | 678,339 | 678,339 | (275,964) |
| 15,072,485 | 2,543,152 | 12,529,333 | 17,851,000 | 2,055,708 | 15,795,291 | 14,042,400 |
| | 664,342 | (664,342) | | 979,592 | (979,592) | (803,330) |
| | 2,431,440 | (2,431,440) | | 2,642,166 | (2,642,166) | (2,249,383) |
| 51,884 | 594,342 | (542,458) | 39,224 | 909,298 | (870,074) | (725,000) |
| | 2,945 | (2,945) | | 8,045 | (8,045) | (27,000) |
| | 83,246 | (83,246) | | 91,611 | (91,611) | (252,210) |
| 47,325 | 515,676 | (468,351) | 824,764 | 3,086,590 | (2,261,826) | (410,000) |
| | 156,822 | (156,822) | | 405,996 | (405,996) | (949,760) |
| | 33,950 | (33,950) | | 79,883 | (79,883) | (142,000) |
| | 6,882 | (6,882) | | 42,219 | (42,219) | (70,000) |
| | 765,658 | (765,658) | | 736,947 | (736,947) | (851,400) |
| | 1,051,232 | (1,051,232) | | 1,549,907 | (1,549,907) | (1,793,650) |
| 24,374 | 406,800 | (382,426) | 17,684 | 740,812 | (723,128) | (686,630) |
| | 419,088 | (419,088) | | 39,535 | (39,535) | (130,000) |
| | 17,703 | (17,703) | | 3,506 | (3,506) | (39,000) |
| | 332,855 | (332,855) | | 1,003,053 | (1,003,053) | (268,000) |
| | | | | | | |
| | 4,907 | (4,907) | | 5,353 | (5,353) | (5,000) |
| | 4,907 | (4,907) | | 5,353 | (5,353) | (5,000) |

